

# BCTGM Presentation

## Health Care Benefits



# Objectives

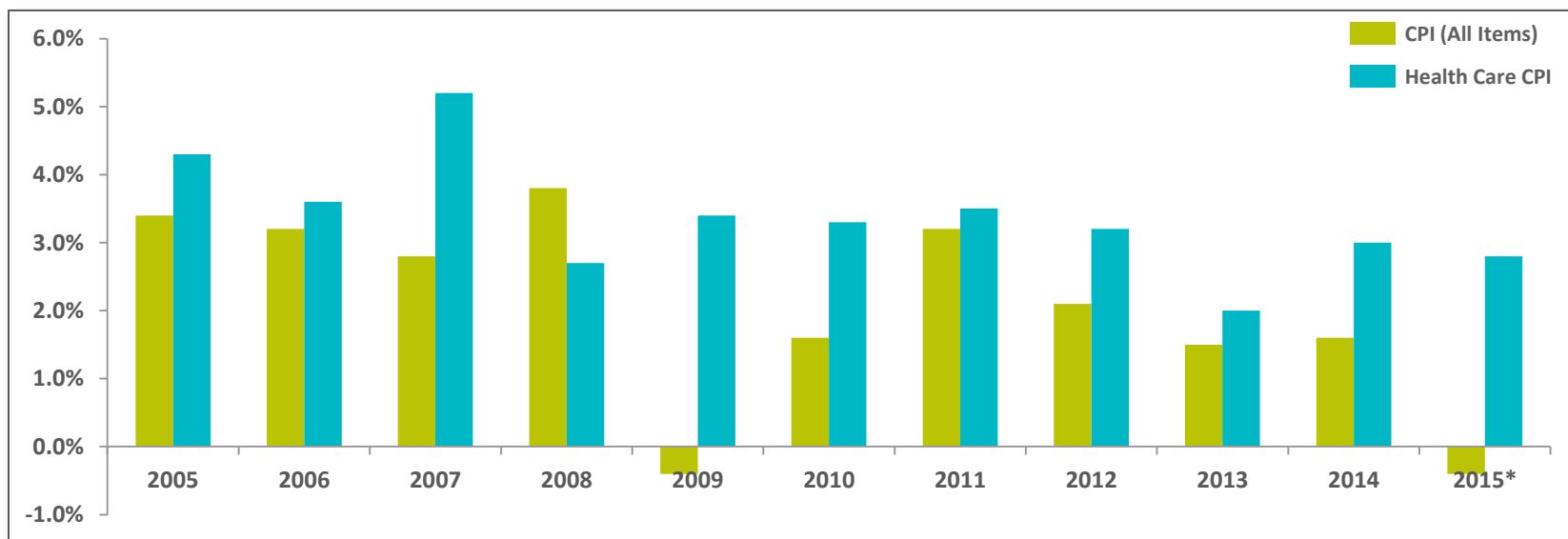
- Provide competitive benefits
- Manage health care costs
- Have healthy and productive employees
- Manage Cadillac Tax impact
- Support overall business objectives

# Health Care Trends

- Nationally, health care inflation is outpacing the Consumer Price Index (CPI)
  - Hospital-related spending continues to grow
  - People continue to use the emergency room rather than urgent or primary care
  - The rate of chronic diseases is increasing

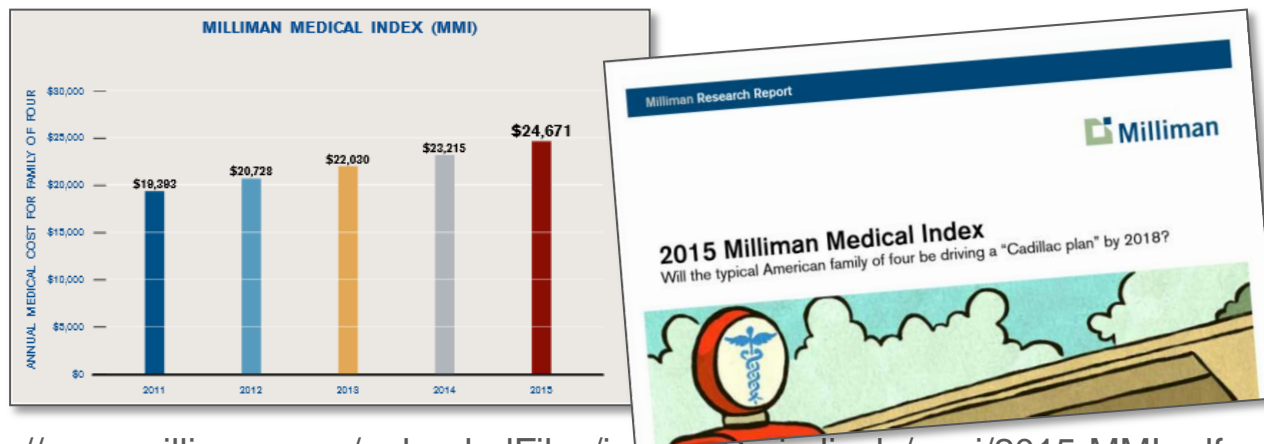
CPI (All Items) and Health Care Inflation

*\* Through May 2015*



# National Health Care Trends

- According to the 2015 Milliman Medical Index:
  - The cost of health care for a typical American family of four was \$24,671 (nearly triple the amount in 2001):
    - Costs have increased in part due to prescription drug prices
    - Costs for a typical family have more than doubled over the past decade.
  - Health care costs are projected to surpass \$25,000 for a family in 2016



Source: <http://www.milliman.com/uploadedFiles/insight/Periodicals/mmi/2015-MMI.pdf>

# Health Care Benefit Trends

- **Eighty-one percent** of employees with employer-provided health insurance must meet an annual deductible before most services are paid for by the plan
  - Even employees with no annual deductible often face other types of cost sharing when they use covered services, like copayments or coinsurance for office visits and hospitalizations.
  - Nationally, the average contribution employees paid toward the cost of health care was **\$1,071** for individual coverage.
- “More expensive health care” doesn’t mean “better health care”
  - American health care costs more than any other developed nation, but the United States ranks 34<sup>th</sup> in overall life expectancy – behind Greece, Slovenia, Lebanon and Chile
  - As much as 50% of costs are driven by personal health habits like smoking or overeating
  - Other costs are driven by unnecessary tests or uncoordinated care – in a single year, 22-45% of some patients received a test or treatment the research group determined was unnecessary

# The Case for Action

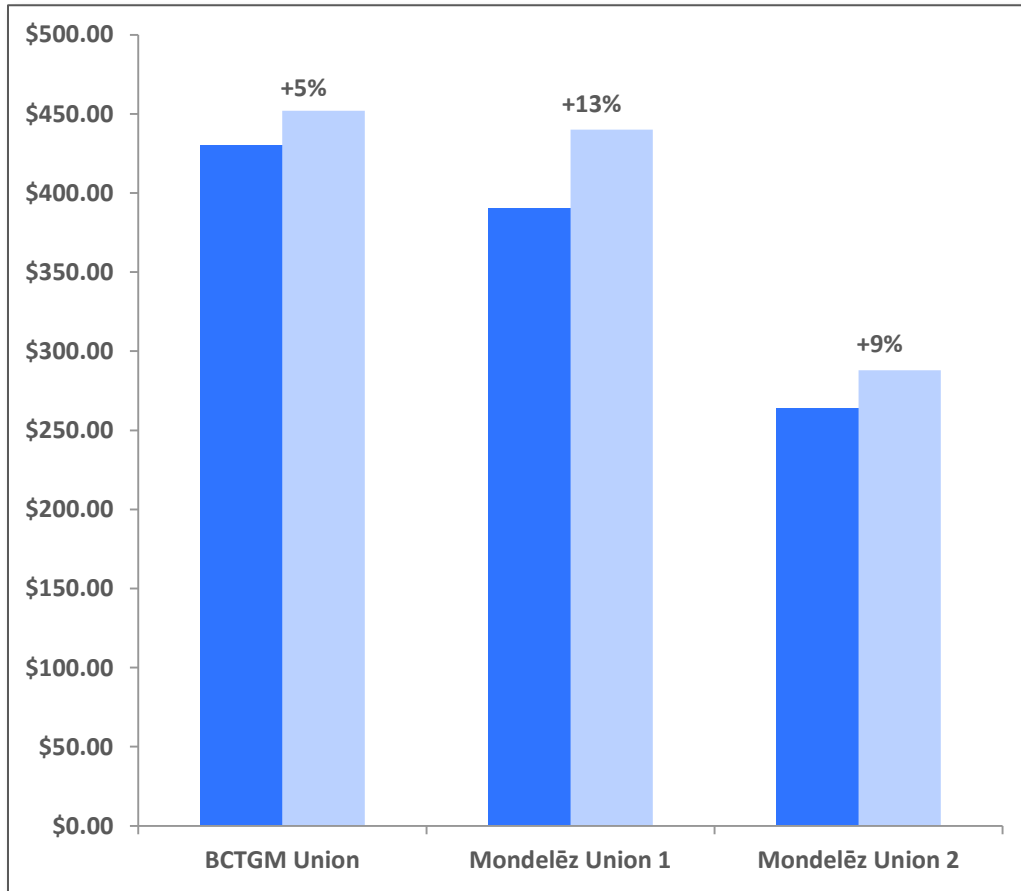
## Current Health Plan Costs

- Annually, the total health care cost for BCTGM-represented employees is **\$47 million**
- The average per employee cost for BCTGM-represented employees is **\$19,400/year** – compared with \$12,400 per employee for our peers
- The cost of the current represented employee health care plan at Mondelēz is significantly higher than the cost of:
  - Salaried employees' health care plans
  - Competitors' represented employee plans
  - The company's other union health care plans
  - The company's non-union hourly health care plans
  - Employer-sponsored health care plans nationally
- Though delayed until 2020, the Cadillac Tax will impact Mondelēz BCT plans if current health care inflation and usage rates continue
- To help employees take control of their health – without needlessly driving up costs – health benefits must be changed

# The Case for Action

## Health Plan Data: Mondelēz Costs by Union

PMPM Costs by Union



- BCTGM-represented employees had the highest cost per member per month (PMPM) – compared to other Mondelēz unions
- As of the 4<sup>th</sup> quarter of 2015, BCTGM health plan costs had **increased 5%** from the prior reporting period

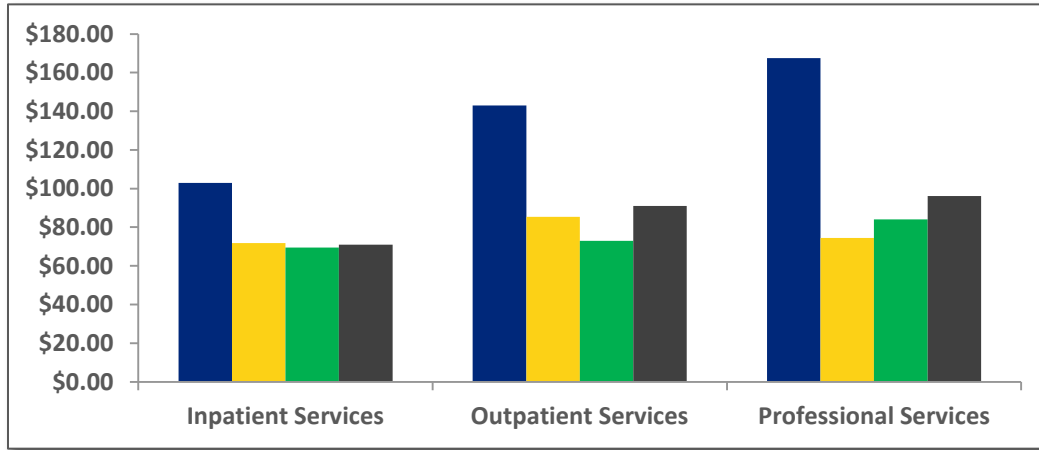
■ Prior claims incurred 11/2013 to 10/2014, and paid through 12/2014

■ Current claims incurred 11/2014 to 10/2015, and paid through 12/2015

# The Case for Action

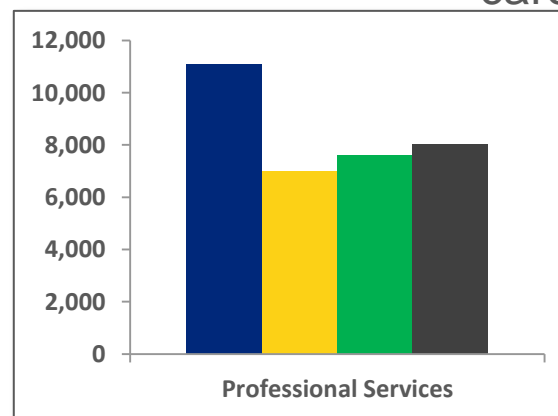
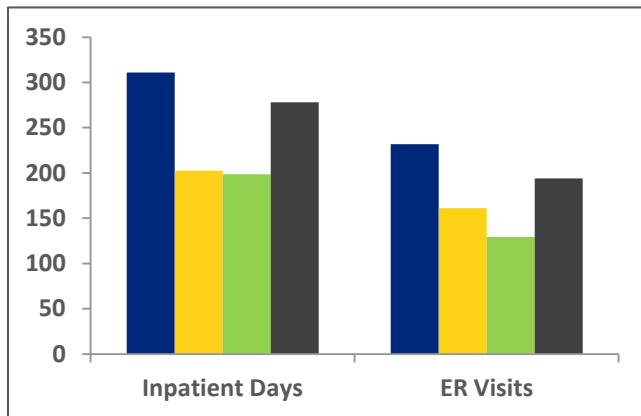
## Health Plan Data – Costs and Utilization in 2015

PMPM Costs by Service Category



- Compared to non-union employees – and all Blue Cross Blue Shield of Illinois (BCBS IL) national plan participants – BCTGM-represented employees had the highest per member per month (PMPM) costs and utilization across all health care services

Costs (per 1000) by Service Category



- BCTGM Union
- Non-Union Hourly
- All Non-Union
- All BCBS of IL plan participants

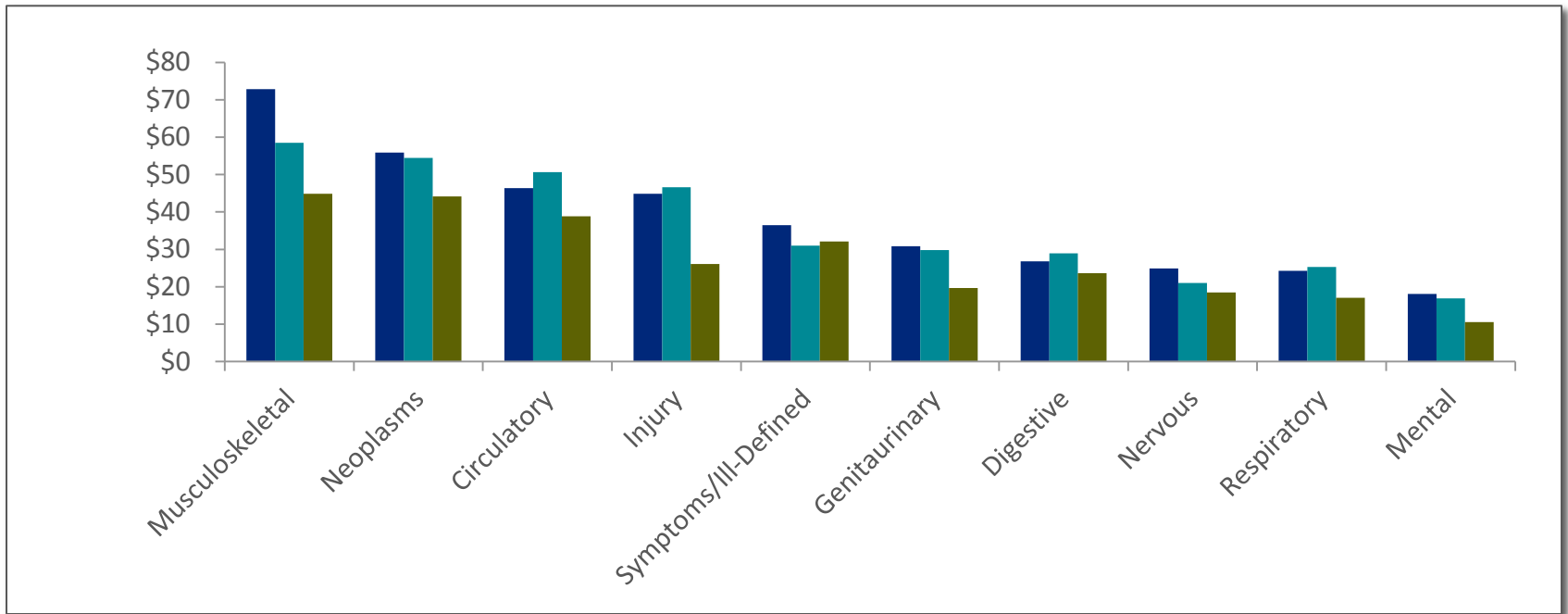


# The Case for Action

## Health Plan Data – By Chronic Condition

BCTGM-represented employees continue to have a higher incidence of chronic conditions – and therefore higher costs – than peer organizations

PMPM Costs by Union



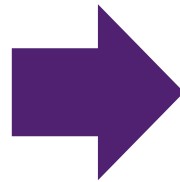
- BCTGM Union: Current claims incurred 11/2014 to 10/2015, and paid through 12/2015
- BCTGM Union: Prior period claims incurred 11/2013 to 10/2014, and paid through 12/2014
- Benchmark: Current claims incurred 11/2014 to 10/2015, and paid through 12/2015

# The Case for Action – Key Actions

Our healthcare benefits must strike a balance between quality of care and cost sensitivity

## Current Benefits

- Uncontrolled Care
- Health not Managed
- Emergency Room usage high
- High Rate of Diseases



## Future State

- The Right Care at Right Time
- Managing Health
- Attention To Cost
- Engaged in Wellness

# Current Health Care Plan

## Comparing Our Benefits to Peers

- Mondelēz recently benchmarked our health care plans to those of peer companies to compare similarities and differences
- For a comparison, we included U.S. manufacturing companies with strong union representation in our benchmarking peer group
- The chart on the following page shows our plan features compared with the peer group, and an actuarial value for each company's plan
  - Actuarial value: The percentage of total average costs for covered benefits that a plan will cover

For example, if a plan has an actuarial value of 90%, on average, the plan participant would be responsible for 10% of the costs of all covered benefits

# Our Health Care Plan

## Comparing Our Benefits to Peers

	Mondelēz BCTGM	Peer 1	Peer 2	Peer 3	Peer 4
<b>Medical Benefits (In Network, single/family)</b>					
Deductible	\$0/\$0	\$300/\$600	\$400/\$800	\$500/\$1,000	\$600/\$1,200
Out of Pocket Max	\$1,500/\$3,000	\$1,000/\$2,000	\$2,900/\$5,800	\$1,750/\$3,500	\$3,000/\$5,000
Coinsurance	100%	90%	80%	90%	80%
<b>Prescription Drug Benefits (In Network)</b>					
Generic Retail/Mail	\$10/\$20	\$8/\$8	80% (\$5 min; \$75 max)	90% (\$10 min; \$30 max)	\$5/\$10
Deductible	N/A	N/A	\$125/\$250	N/A	N/A
Out of Pocket Max	\$1,000/\$2,500	N/A	N/A	N/A	N/A
<b>Employee Monthly Contributions (Composite, single and family)</b>					
	\$0	\$0	\$222	\$0	\$0
<b>Actuarial Value</b>					
	<b>95%</b>	92%	86%	88%	86%

**Mondelēz is responsible for 95% of BCTGM-represented employees' health care costs, near the very top of our peer group**

# Represented Employee Plan

## Current Provisions

Plan Feature	Current Provision
Employee Contributions	Employees pay \$0 in payroll contributions for health care coverage
Preventive Coverage	Preventive services, such as annual physicals, are 100% covered
Deductible	Employees pay copays for standard, in-network health care services until they reach the deductible (\$300 for single coverage, \$700 for families), and then are 100% covered
Copays	Doctor visits are subject to \$15 copay, whether they are specialist visits or general physician visits
Out-of-Network Coverage	Employees have the flexibility to use out-of-network providers, but must meet a higher deductible, and coinsurance after meeting the deductible is reduced
Out-of-Pocket Maximum	Employees are protected by an out-of-pocket maximum – if copays and coinsurance reach \$1,500 (or \$2,500 out-of-network), the plan pays for 100% of the cost of care

# Proposed Health Care Plan

## Overview of Provisions

Plan Feature	Current Provision
Employee Contributions	Employees pay a portion of premiums through payroll contributions
Preventive Coverage	Preventive services, such as annual physicals, are 100% covered
Deductible	The plan includes a deductible: \$400 for single coverage, \$800 for family coverage
In-Network Care	<p>Employees pay all of the cost of their in-network health care – including doctor visits – until they reach the deductible, then the plan begins to share in the cost through coinsurance:</p> <ul style="list-style-type: none"> <li>• Plan: 80% of the cost</li> <li>• Employee: 20% of the cost</li> </ul>
Out-of-Network Coverage	Employees have the flexibility to use out-of-network providers, but must meet a higher deductible, and coinsurance after meeting the deductible is reduced
Out-of-Pocket Maximum	Employees are protected by an out-of-pocket maximum of \$2,000 single/\$4,000 family – after which, the plan pays 100% of costs

# Health Care Plan Comparison

## Current vs. Proposed Plan Features

	Current	Proposed
<b>Medical Benefits (In-Network unless noted, single/family)</b>		
Deductible	\$0/\$0	\$400 /\$800
In-Network Out-of-Pocket Max	\$1,500/\$3,000	\$2,000/\$4,000
Out-of-Network Out-of-Pocket Max	\$2,500	\$4,000/\$8,000
In-Network Coinsurance	100% paid by company	80% paid by comp.
Out-of-Network Coinsurance		60% paid by comp.
<b>Prescription Drug Benefits (In-Network)</b>		
Generic Retail/Mail	\$10/\$20	\$10/\$20
Deductible	N/A	Combined with medical deductible
Out of Pocket Max	\$1,000/\$2,500	\$1000 / \$2000
<b>Employee Monthly Contributions (single and family)</b>		
	\$0	\$62 single / \$152 Family per Month

# Health Care Plan Comparison

## What happens when an employee...

Current	Proposed
<b>...goes to the doctor for a physical?</b>	
The employee pays \$0 to see a doctor for a physical	The employee pays \$0 to see a doctor for a physical
<b>...gets sick?</b>	
The employee pays \$15 copay to see a doctor for an illness	The employee pays for the cost of care, until the deductible is met, and coinsurance thereafter
<b>...needs immediate emergency care?</b>	
The employee pays a \$50 copay at the ER, which is waived if admitted, and care is 100% covered thereafter	The employee pays for the cost of care until the deductible is met, and 80% for ER services thereafter
<b>...needs surgery?</b>	
The employee pays \$200 copay if admitted for inpatient surgery, and care is 100% covered thereafter	The employee pays for the cost of care until the deductible is met, and 80% for services thereafter



# Questions

- We'd be happy to answer any questions you may have